

MINISTRY OF ECONOMY,  
LABOUR & SOCIAL POLICY OF POLAND

# **POLAND 2003**

**REPORT**

**DOMESTIC TRADE**

**WARSAW 2003**

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*LADIES AND GENTLEMEN!*

*The year 2003 brought about some important changes. It was not only because a new entity was created – the Ministry of Economy, Labour and Social Policy. It combines two former Ministries – Ministry of the Economy and Ministry of Labour and Social Policy and has significantly changed functions. More importantly, the course of the year confirmed the symptoms of economic revival, which have appeared already in the second half of 2002.*

*Today, at the end of 2003, we are certain that the economic growth in Poland accelerated significantly. The task of the government is to create appropriate conditions and instruments, to make this growth durable and even higher in the following years.*

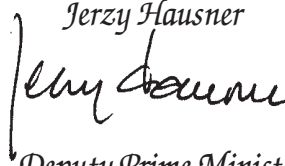
*It must also be stressed that this is the last year before accession to the European Union, which would pose new challenges for entrepreneurs. To take up these challenges, it is necessary to improve competitiveness of businesses, develop modern structures based on knowledge and innovation and to develop entrepreneurship.*

*The government has undertaken numerous measures to facilitate the operations of businesses and to improve their financial situation. This includes a reduction of tax rates for 2004 and a draft law on freedom of business, passed to the Parliament. The law introduces measures that facilitate the setting up and operation of businesses.*

*High level of unemployment remains a very serious problem for Poland. An effective measure to reduce it will be high economic growth – which should occur over the coming two years, supported with appropriate structural policy. I believe that these plans are implemented, which would lead to an increased demand for labour, and as a result, to unemployment curb.*

*The Reports should allow You to get a closer view on the economic and social issues of Poland during the past two years.*

*Jerzy Hausner*



*Deputy Prime Minister*

*Minister of Economy, Labour and Social Policy*

*Warsaw, October 2003*



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# 1. Domestic Trade in the National Economy

In 2002, the average annual growth rate of the gross domestic product (in fixed prices), increased as compared to the previous year, and amounted to 1.4%. Therefore, the rate of economic growth was higher by 0.4 percentage point than in 2001.

The average growth rate of the gross value added of the "Commerce and Repairs" section reached the level of 3.2% in 2001, and was lower by 0.7 percentage point as compared to 2001. However, the growing tendency of the share of the gross value added in creating the volume of the gross domestic product was maintained. In 2002, as compared to 2001 and 2000, this share increased by 0.2 and by 0.5 percentage point, and amounted to 18.2% (Table 1).

**Table 1. Share of selected sections in creating the GDP (in current prices)\***

National economy section	Percentage share in creating GDP				
	1998	1999	2000	2001	2002
<b>GDP, total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
of which					
Industry	24.2	23.6	22.4	21.1	20.8
Construction	7.6	7.7	7.2	6.3	5.7
Commerce and repairs	18.1	18.0	17.7	18.0	18.2

\* from 1995 the GDP is quoted in current base prices.

Source: prepared on the basis of the Concise Statistical Yearbook 2003.

In 2002 the sales of commodities in trade amounted to 859,023 million PLN (increase by 3.9% as compared to 2001), of which 55.1% accounted for wholesale, which share was higher by 0.5 percentage point than in 2001. Retail sales increased by 2.6% and amounted to 385,287 million PLN.

The share of retail sales of food and beverages increased up to 32.3% in the structure of retail trade (Table 2).

**Table 2. Structure of commodity sales in trade by type and branch, according to major commodity groups in 1998–2000**

Commodity groups by type and branch	2000	2001	2002	2000	2001	2002
	Wholesale in mln PLN			Percentage structure of sales		
Total	440,206	450 989	473,736	100.0	100.0	100.0
of which:						
– food and non-alcoholic beverages	75,977	75 049	72,048	17.3	16.6	15.2
– alcoholic beverages	23,331	24,043	23,970	5.3	5.3	5.1
– products other than food	340,899	351,897	377,718	77.4	78.0	79.7
	Retail sales in mln PLN			Percentage structure of sales		
Total	360,318	375,438	385,287	100.0	100.0	100.0
Of which:						
– food and non-alcoholic beverages	113,007	120,801	124,498	31.4	32.2	32.3
– alcoholic beverages and tobacco articles	37,130	37,812	38,637	10.3	10.1	10.0
– products other than food *	210,181	216,825	222,152	58.3	57.7	57.7

\* excluding tobacco products.

*Source: prepared on the basis of data from the Central Statistical Office.*

In the period January-August 2003, as compared to the same period of the previous year, the growth rate in the value of retail sales of commodities (in current prices) in the sphere of retail trade was accelerated (5.7% as compared to 4.3%).

The year 2002 brought a subsequent drop of investment outlays in trade, but slightly smaller as compared to 2001. It results from the data of the Central Statistical Office covering enterprises employing over 49 workers, that commercial investments in 2002 amounted to 6,264.9 million PLN, i.e. 82.1% of the outlays incurred in the previous year. The falling tendency of outlays was also maintained in the first six months of 2003.

The level of outlays, decreasing for 3 years along with stronger dropping trend of total investments, results in the fact that there are fluctuations in the share of commercial investments in the total outlays in the national economy. In the year 2002, investments of commercial enterprises of the number of workers over 49 persons accounted for 11.1% of the total outlays in this group of enterprises and were higher by one percentage point as compared to 2001.

In the year 2001, as compared to 2000, in the type structure of investments the share of outlays for equipping stores and warehouses in machinery and technical devices increased (from 30.5% to 33.6%); whereas the share of outlays for buildings



and construction decreased (from 55.1% to 49.5%), as well as the share of outlays for the purchase of transport means (from 17.2% to 14.2%).

In the branch structure the share of investments in retail trade increased (from 41.8% to 45.2%), whereas the share of investments in wholesale declined (from 45.6% to 41.7%). Moreover, the share of outlays in the sector of motor vehicle and fuels sales and service of motor vehicles slightly increased (from 12.6% to 13.1%).

The analyses of initiated commercial investments in 2002, as compared to 2001, indicates that their number, value and also the average costing value are decreasing. Among enterprises employing over 49 workers they amounted to 719 thousand PLN, which accounted for 81.8% of the average costing value of an investment project from 2001. This indicates a further arrestment of capital-consuming investments already recorded in the previous year. This phenomenon was influenced by the trend of limiting the value of investments incurred by enterprises with domestic capital, which effects could not even be compensated by the high share of foreign investments. In the year 2003, we can observe the reversing of the trend of stopping capital-consuming investments, as the average costing value of an investment project is considerably growing (in the first half of 2003 – by 27%).

In the year 2002, the value of foreign investments in trade (above 1 million USD) – according to information provided by the Polish Information and Foreign Investment Agency – amounted to 1,532 million USD, and was lower by 26.9% than their record level of the previous year (2,096.4 million USD).

Since the beginning of this decade till the end of 2002 the value of foreign investments in trade reached the level of 7,586.3 million USD and accounted for 11.7% of total foreign investments in Poland.

- The analysis of the type structure of foreign investments in trade shows that:
- 44.7% of total outlays (i.e. 3,390.9 million USD) were allocated for the construction of hypermarkets, supermarkets, discount stores and other commercial units located mainly in commercial centres and commercial-service complexes;
  - 20.9% of outlays (1,588.1 million USD) were incurred for multi-directional investments integrating retail and wholesale trade;
  - 20.0% of outlays (1,516.7 million USD) was spent for the development of fuel stations with commercial and service facilities (most often convenience stores, restaurants and fast food bars) and the distribution of motor vehicles, their parts and accessories;

- 8.3% of outlays (627.5 million USD) were assigned for the development of specialised retail networks, including those functioning in franchise systems, enriching the Polish market in new specialised stores and innovative trade forms;
- 6.1% of outlays (462.7 million USD) were incurred for the development of wholesale warehouses integrated with distributive centres and logistics services.

Among the leading foreign investors there are the following concerns and corporations developing networks and trade centres: Metro, Casino DT, Tesco Poland, Carrefour, Auchan, Jeronimo Martins, Ikea and the fuel concerns: Statoil, BP International and Aral.

In 2002 the ten major foreign investors invested the amount of 6,098.8 million USD, which accounted for 80.4% of the total value of foreign commercial investments.

The base for developing modern trade is the application of electronic media (mainly the Internet), not only for the presentation of products and services, but also for conducting a complete distribution activity including the realisation of transactions.

The analyses of the Institute of Domestic Market and Consumption show that in 2003, 27% of the studied population of retailers do not have computers. Among wholesalers this share is much smaller – 2.6%. Mostly, micro enterprises do not have computers (they account for 96% among retailers and 100% among wholesalers not possessing computers). These stand for individual medium and small stores (below 300 m<sup>2</sup> of area) and small wholesale warehouses.

However, it should be stressed that, according to the same studies, the purchase and installation of computer programmes and systems accounts for the third position as regards the frequency of incurring type investments by retail enterprises. This is a positive sign for the development of computerisation in this group of firms.

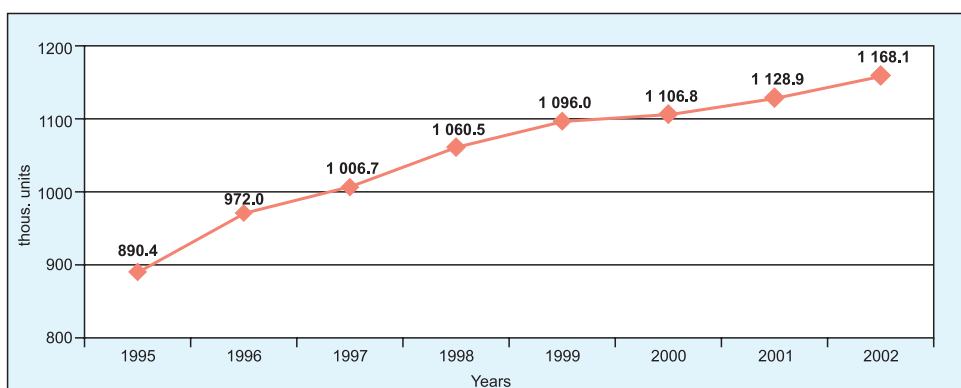
Enterprises which already have computers mainly use them as a tool for communicating with the outside world, as well as within the company, and also as a tool for various analyses crucial in the decision making process of an enterprise. Studies show that almost 25% of retailers and more than 12% of wholesalers declare the application of computers for participating in integrated supply chains. This purpose is mainly stressed by: commercial networks with foreign capital (50%), domestic commercial networks (22.7%) and medium and big wholesale companies (25%).

However, still not all computerised enterprises have access to the Internet. This refers to 36.2% of all computerised wholesalers and 11% retailers, mainly the smallest firms.

## 2. Unit Structure of Domestic Trade

The growth in the number of enterprises in the entire economy observed each year (in 2002 it amounted to 4.3%) also takes place in the sphere of trade. From 1996, the number of commercial firms has been increasing, but the rate of this growth varied in particular years. The high growth rate, characteristic for mid-nineties, decreased at the end of the decade, whereas at the beginning of 2000 it started to increase once more and reached the level of 2.1% in 2001 and 3.5% in the previous year (Chart 1). The returning growth most probably reflects the difficulties occurring on the labour market in Poland. Trade still remains an area of economy, in which a major part of the unemployed are trying to find jobs, as there is a common belief that it involves a low rate of risk (particularly in a small scale of activity).

**Chart 1. Changes in the number of enterprises in the section "Commerce and Repairs" in 1995–2002\***



\* The data presented in this chart cover all units included in the REGON registry, including liquidated units but not withdrawn from the registry and units in the state of liquidation.

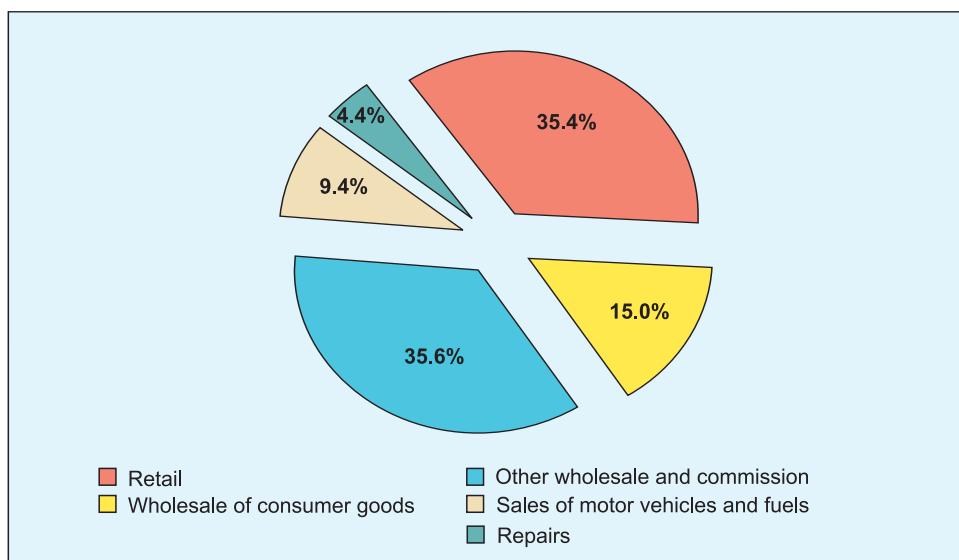
Source: data from the Central Statistical Office.

Such opinions are reflected in the higher share of businesses run by natural persons in the group of commercial units (82.5% in 2002) than in units of the total national economy (78.3% in the same year), and in result the higher share of "micro" enterprises in the section "Commerce and Repairs" (97.5%) than in the entire national economy (95.2%). The growth rate of the number of firms owned by natural persons increased from 102.4% in 2001/2000 to 104.0% in 2002/2001, although in the previous period it was much lower. Observations of the market indicate that in 2003 this growth might be even higher. This is not a positive situation for the scattered as regards units, sphere of trade, particularly in conditions of the growing each year competition and the perspectives of joining the European Union Single Market.

In respect of the above, a favourable phenomenon is the increasing number of commercial law companies, which are stronger as regards capital and organisation. Their growth rate in recent years has been increasing (114.2% in 2002/2001 as compared to 107.3% in 2000/1999), which creates a base for further development area processes in the area of trade.

As regards transformations of trade, also the share in the total number of enterprises of units employing over 9 workers, leading in the area of modern organisational and technical solutions, which will be the subject of later detailed analyses, is very important. At the end of 2002, the total number of these enterprises in Poland amounted to 24,116 units. Within this group 2,426 companies, i.e. 10% accounted for enterprises of foreign or combined ownership. As compared to 2001, the total number of commercial enterprises with more than 9 workers decreased by 2.7%, whereas the number of these enterprises with the share of foreign capital increased by 1.5%. A similar phenomenon has occurred a second year in a row. This reflects the processes of merger and taking over of companies, which are taking place in the group of enterprises with domestic ownership.

As regards the branch structure of all the commercial enterprises, in 2002, similarly as in the previous years, units leading retail sales of food and other than food products, motor vehicles and fuels dominated. In 2002 they accounted for 45% of companies (Chart 2). Their share in the number of all enterprises increased by 1.7 percentage point as compared to the previous year, whereas the shares of other types of enterprises decreased.

**Chart 2. Branch structure of commercial enterprises employing over 9 workers in 2002**

*Source: prepared on the basis of data from the Central Statistical Office.*

In 2002, there were 8,535 retail companies conducting sales of food articles and articles other than food, i.e. by 177 more than in the previous year.

A growth took place in the following branch groups of enterprises: specialised with the majority of food articles, specialised in the sales of non-food articles, with second-hand goods, mailing houses and those leading sales outside the store network. It referred both to domestic companies and companies with the share of foreign capital.

The sphere of retail activity is dominated by private domestic ownership in the form of commercial law companies (46.1%), co-operatives (20.3%), and natural persons (33.6%). The foreign and combined capital owns 4.4% of all companies employing over 9 workers, whereas this share in the group of medium and big companies (50 and more workers) increases to 9.6%.

Foreign capital holds a much bigger share in the sphere of wholesale activity related with consumer goods. It amounts to 9.6% in the group of companies with over 9 workers, and 16.6% in the group of medium-sized and big companies. The number of firms leading wholesales of consumer goods decreased by 161 units in the previous year.

This sphere is the main area in which concentration processes in trade have been intensifying for two years. The drop in the number of enterprises took place in all branch groups, except for those selling clothes, footwear, meat and meat products.

For many years the market has been dominated by micro-enterprises (up to 9 workers), which have two stores at most, sometimes one warehouse, and their shares in the total number of commercial enterprises do not undergo any major change. However, it may be observed that the differences in the structure of enterprises with domestic and foreign ownership are increasing. In 2002, within enterprises of foreign capital, the share of companies possessing networks with over 20 stores and companies employing over 49 workers has increased.

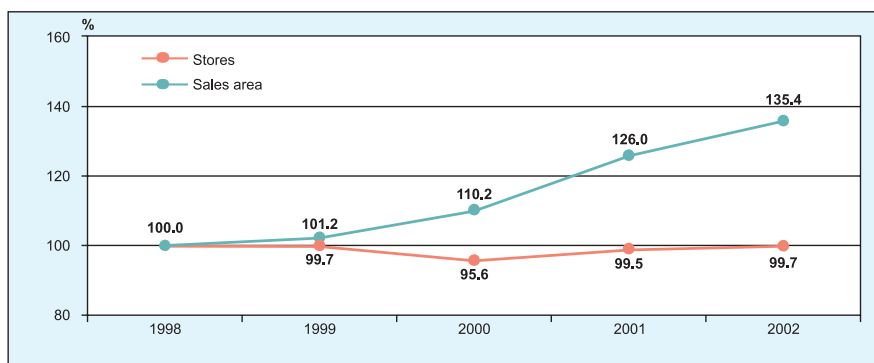
### 3. Retail trade

In 2002, 450,434 stores were operating in trade. This number has not changed much as compared to the previous year (growth by 0.2%), which indicates that after the period of decline (1999–2000), a weak growing tendency in the number of stores is being maintained – despite the growing competition. However, as compared to 1998, the number of stores has dropped by 0.3%. In 2003, no dynamic increase in the number of stores should be expected, but in the group of small commercial units this growth may be higher than in the case of large area commercial centres. The growing number of small stores may result from the fact of searching job positions in trade by people dismissed from manufacturing plants.

An analysis of the growth rate of the number and sales area of stores in 1998–2002 shows that the sales area of stores has been growing in a greater degree (by 35.4%) than the number of stores (decrease by 0.3% in 2003 as compared to 1998) – Chart 3.

This reflects progressing qualitative changes in the retail network, which are confirmed by the increasing values of:

- urban indicator (sales area per 1,000 habitants) from 632 m<sup>2</sup> in 1998 to 865.8 m<sup>2</sup> in 2002;
- average store size from 54.1 m<sup>2</sup> in 1998 to 73.5 m<sup>2</sup> in 2002.

**Chart 3. Growth rate in the number of stores and sales area of stores by in 1998–2001 (1998 = 100.0)**

Source: prepared on the basis of data from the Central Statistical Office.

However, still one the most characteristic features of retail trade in Poland is the dominating share of small stores, i.e. up to 50 m<sup>2</sup> of sales area (92.6% of the total number of stores in the country) – Table 3.

**Table 3. Stores by size of sales area in 1998–2002**

Years	Stores total	Number of stores of the sales area					
		below 50 m <sup>2</sup>	50–100	101–200	201–300	301–400	401 and more m <sup>2</sup>
1998	451,785	414,684	20,795	9,371	2,655	1,182	3,098
1999	450,232	417,772	16,925	8,014	2,429	1,479	3,513
2000	431,991	399,767	16,297	7,872	2,567	1,551	3,937
2001	449,339	415,015	16,871	8,500	2,817	1,680	4,454
2002	450,434	417,391	15,933	8,089	2,780	1,616	4,625
2002 2001	100.2	100.6	94.4	95.2	98.7	96.2	103.8
2002 1998	99.7	100.7	76.6	86.3	104.7	136.7	149.3

Source: data from the Central Statistical Office and own calculations.

In 2002 as compared to 2001, a slight growth in the number of the smallest stores (by 0.6%) took place, whereas the number of the biggest commercial units (401 m<sup>2</sup> and more of sales area) increased by 3.8%. These favourable changes are even more evident when comparing the year 2002 with 1998, as the small growing trend in the group of the smallest stores is accompanied by the high growth rate in the number of the biggest selling units (increase by almost 50%) and medium-size stores.

Particular forms of retail trade, included in the group of large area commercial centres, are characterised by a differentiated growth rate of development (Table 4).

**Table 4. Changes in the network of large area commercial units in Poland in 1999–2002**

Types of large area stores	1999 r.	2000 r.	2001 r.	2002 r.	Indexes in %	
					2002 2001	2002 1999
Large area stores, total <sup>1</sup>						
– number	3,513	3,937	4,454	4,625	103.8	131.7
– sales area, in m <sup>2</sup>	3,444,415	4,147,198	5,318,892	5,522,709	103.8	160.3
– share of the number of large area stores in the total number of stores in %	0.78	0.91	0.99	1.03	x	x
– share of the sales area of large area stores in the total sales area of stores in %	13.9	15.4	17.3	16.7	x	x
Hypermarkets <sup>2</sup>						
– number	93	993	190	2,164	113.7	232.3
– sales area, in m <sup>2</sup>	763,000	653,546	1,472,505	1,608,187	109.2	210.8
– average sales area of a hypermarket, in m <sup>2</sup>	8,204.3	6,601.5	7,750.0	7 445.3	96.1	90.7
– share of foreign ownership, in %	-	62,6	81,6	77,3	x	x
Supermarkets <sup>5</sup>						
– number	1,407	1,602	1,739	1,863	107.1	132.4
– sales area, in m <sup>2</sup>	1,036,110	1,068,665	1,163,326	1,386,976	110,6	124.2
– average sales area of a supermarket, in m <sup>2</sup>	736.4	667.1	668.9	690.8	103.3	93.8
– share of foreign ownership, in %	38.7	44.3	45.4	50.7	x	x
Department stores <sup>6</sup>						
– number	146	135	137	106	77.4	72.6
– sales area, in m <sup>2</sup>	716,306	615,687	567,427	479,903	84.6	67.0
– average sales area of a department store, in m <sup>2</sup>	4,906.2	4,560.6	4,141.8	4,527.4	109.3	92.3
– share of foreign ownership, in %	32.9	32.6	30.7	17.9	x	x
Commercial houses <sup>7</sup>						
– number	558	500	510	499	97.8	89.4
– sales area, in m <sup>2</sup>	539 067	484 484	508 600	488 369	96.0	90.6
– average sales area of a commercial house, in m <sup>2</sup>	966.1	969.0	997.3	978.7	98.1	101.8
– share of foreign ownership, in %	18.3	14.8	10.2	18.2	x	x

<sup>1</sup> Data covers stores, which sales area has 401 and more m<sup>2</sup>.

<sup>2</sup> According to the classification of the Central Statistical Office, a hypermarket is a self-service store from 2500 m<sup>2</sup> of sales area with a wide and expanded assortment of food articles and products other than food, usually with its own car-park area.

<sup>3</sup> According to the data of the Institute of Domestic Market and Consumption this is an incomplete list (there should be 135).

<sup>4</sup> According to the estimations published by Supermarket News, at the end of 2003 there will be 200 hypermarkets of foreign ownership.

<sup>5</sup> According to the classification of the Central Statistical Office, a supermarket is a self-service store from 400 to 2499 m<sup>2</sup> of sales area with an assortment of food articles and products other than food of frequent purchase.

<sup>6</sup> According to data of the Central Statistical Office these are multi-department stores of the sales area of 2000 m<sup>2</sup> and more, conducting sales of a wide and universal assortment of goods other than food, but also often food articles.

<sup>7</sup> According to data of the Central Statistical Office these are multi-department stores (at least 2 branch departments) of the sales area from 600 to 1999 m<sup>2</sup>, selling goods of similar assortment as those sold in department stores.

*Source: prepared on the basis of data from the Central Statistical Office.*



In 2000–2002 the highest growths in the number of commercial units and sales area were indicated by hypermarkets and supermarkets. However, in 2002 a weaker – as compared to previous year – growth rate was recorded in the number and sales area of hypermarkets, which was also determined by the construction of smaller units.

Commercial houses in Poland have found themselves in a period of relative quantity stabilisation and qualitative changes, resulting mainly from the development by foreign investors of specialised commercial centres (e.g. self-service commercial houses with articles for the house or garden, for equipping and decorating homes).

A stagnation is still observed in the case of department stores which are searching for a strategy that would stabilise their declining position on the market.

In 1998–2002 the observed tendencies were strengthened and new trends took place in the branch structure of stores. The share of stores with food articles is decreasing in the total number of stores (38.6% in 2002 as compared to 39.2% in 1998), which results from the high saturation existing in the country of small stores with food articles and the growing competition from the side of supermarket and hypermarket networks, and recently also discount stores.

In 2001–2002 the number of general food stores slightly decreased, but they still have a high share (83.6%) in the structure of stores with food articles.

A tendency – although still quite weak – of developing branch and specialised stores with food articles has appeared, which is probably the sign of searching by domestic commercial entrepreneurs successful competition strategies, among other, in new original assortment offers, and also the launching of own stores by producers of food articles functioning on local markets (e.g. bakeries, butcheries).

In 2002 – as compared to the previous year – the number of stores with articles other than food slightly increased (by 1%), however it did not reach the level of 1998. It may be estimated, that in 2003 the number of stores with articles other than food will increase.

The growths in the number of non-food stores refer mainly to those with clothes, cosmetics and toiletries, and textiles.

Whereas, the dropping tendency in the group of stores with radio and television equipment and household equipment most probably results from the appearance of strong competition in the form of:

- large area stores in foreign commercial networks, both those with universal assortment and those specialised ones – with media equipment;

- integrated networks of medium-sized and big stores with rtv and household equipment, which are also a strong competition for small, independent stores.

In 2002, five provinces (dolnośląskie, małopolskie, mazowieckie, śląskie, wielkopolskie) concentrated:

- - 50.6% of the country's population (50% in 1998),
- 50.5% of the number of all stores in Poland (50.9%),
- 49.5% of the total sales area in the country (52%),
- 50.4% of stores with the sales area above 400 m<sup>2</sup> 64%).

This is a major territorial concentration of the material and technical base of retail, however weakening in recent five years, mainly due to localisation of large area stores also in other provinces. Despite this, the year 2003 will not most probably bring any major changes in the stores' network in the territorial structure.

## 4. Wholesale Trade

The warehouse network of trade lies in the hands of commercial, commercial-service and production-commercial-service enterprises. In 2002, these enterprises had 34,961 commercial warehouses of a total storage area 28,746 thousand m<sup>2</sup> and 8,490 silos and containers of the capacity of 2,714.6 thousand m<sup>3</sup>.

Similarly as in the previous years, among all the commercial warehouses the largest group was of closed objects (most often free-standing objects), whereas the smallest was of roofed premises, i.e. island station roofs (Table 5).

**Table 5. Structure of commercial warehouses by type of building in 2002**

Specification	Commercial warehouses, total (excl. silos and containers)	of which:			Silos and containers
		closed warehouses	roofed areas	storage fields	
Number	34,961	27,611	2,762	4,588	8,490
Storage area in thousand m <sup>2</sup>	28,746.0	14,656.3	951.9	13,137.8	—
Average storage area in m <sup>2</sup>	822.2	530.8	344.6	2,863.5	—
Storage capacity in thousand m <sup>3</sup>	—	—	—	—	2,714.6
Average storage capacity in m <sup>3</sup>	—	—	—	—	319.7

*Source: calculations based on data from the Central Statistical Office.*

An analysis of the type structure of commercial warehouses as regards their growth rate shows that after the strengthening of the tendency of the last three years, where the share of the storage area of warehouse objects was growing in the total storage area of warehouses, in 2002 this share decreased (Table 6).

The favourable relations recorded in 1998–2002 between the number of warehouse objects (drop by 24.9%) and their global storage area (drop by 3.9%) most probably result from the resigning by enterprises from using small warehouses and launching modern distributive centres and centres of logistics services. In effect, in 2002, the average storage area of closed warehouses amounted to 530.8 m<sup>2</sup>, which suggests that the conditions for supporting units of retail trade have been relatively highly improved.

**Table 6. Changes in the structure of commercial warehouses\* by type of building in 1998–2002**

Years	Commercial warehouses total (excl. silos and containers)		of which:					
			closed areas		roofed areas		Storage area	
	number	storage area in thous. m <sup>2</sup>	num-ber	storage area in thous. m <sup>2</sup>	num-ber	storage area in thous. m <sup>2</sup>	num-ber	storage area in thous. m <sup>2</sup>
			w % z ogółem					
1998	45,956	30,295	80.0	50.0	8.2	4.4	11.8	45.6
1999	38,776	29,003	78.6	50.7	8.5	4.0	12.9	45.3
2000	37,745	29,192	79.0	50.9	8.1	3.6	12.9	45.5
2001	38,743	28,815	79.1	53.0	8.1	4.0	12.8	43.0
2002	34,961	28,746	79.0	51.0	7.9	3.3	13.1	45.7

\* Silos and containers have been omitted due to a lack of a complete statistical reporting on this matter

Source: calculations based on data from the Central Statistical Office.

Closed objects of wholesale and retail enterprises form the fundament of the warehouse network of trade. In 2002, these enterprises used 27,611 closed warehouses of a storage area 14,656.3 thousand m<sup>2</sup>. Among them, wholesale

warehouses dominate. Last year they accounted for 61.4% of the total number of closed objects and 69.7% of the global storage area.

In 1998–2002 a much faster drop in the number of warehouses of wholesale trade (drop by 30.4%) than their total storage area (by 5.8%) was recorded. As a result, a positive phenomenon can be observed among warehouses of wholesale trade – the growing average size of a warehouse object (Table 7). The growth of this indicator suggests, that bigger possibilities of using modern equipment and technical devices are being created, as well as the introduction of technological solutions based of world models.

**Table 7. The average storage area of closed warehouses of wholesale and retail in 1998–2002**

Specification	1998	1999	2000	2001	2002
Average storage area of total closed warehouses in m <sup>2</sup>	411.9	482.1	495.4	498.6	530.8
of which:					
– wholesale	445.5	560.4	573.5	574.0	602.5
– distributive of retail	386.0	417.3	393.2	390.2	386.0

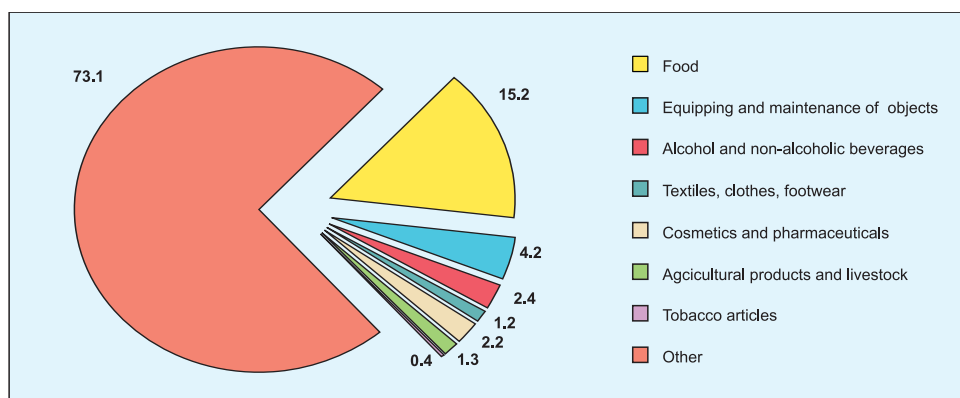
*Source: calculations based on data from the Central Statistical Office.*

A different situation is observed in the group “distributive warehouses of retail”. In the analysed period both the number of these warehouses and their total storage area decreased in the same degree (80.1% each), which probably results from the processes of concentration and increase of direct deliveries. In effect, in 2002 the average size of a retail distributive warehouse decreased to the same level as in 1998 (368 m<sup>2</sup>).

A further development of warehouse networks used by foreign wholesale companies takes place. It is the result of investment activity directed at launching distribution centres and centres of logistics services. Due to this policy, commercial enterprises with foreign capital operating on the Polish market of consumer goods have reached in 2002 the highest indicator of the average sales area. In the case of wholesale it amounted to 1,101.6 m<sup>2</sup>, and retail 1,141 m<sup>2</sup>.

In 2002 the warehouses of a wide assortment profile (so-called “other warehouses”) formed the biggest group. Their share in the number of all commercial warehouses amounted to 73.1%. Whereas, the smallest group was represented by warehouses with tobacco products. Their share in the number of all warehouses was 0.4%.

**Chart 4. Assortment structure of total commercial warehouses (excluding silos and containers) in 2002**



*Source: prepared on the basis of data from the Central Statistical Office.*





An analysis of the assortment structure of the warehouse network of trade as regards the growth rate reveals the strengthening of the universalisation phenomenon. In 1998–2002 the share of warehouses with a wide assortment profile in the number of all commercial warehouses increased by 25.9 percentage points. Warehouses of a wide assortment profile dominate both in the public sector (85.7%) and in the private sector (72.6%).

In respect of the territorial breakdown it should be noted that, similarly as in the previous years, the best developed warehouse network was maintained in Mazovia and Silesia (Chart 5).

The maintaining differentiation as regards the “saturation” of provinces with commercial warehouses is also indicated by the average sizes of warehouse objects. The biggest closed warehouses were located in the following provinces: podlaskie (average storage area of a warehouse object amounted to 691.3 m<sup>2</sup>), mazovia (671.6 m<sup>2</sup>) and wielkopolskie (618.8 m<sup>2</sup>). Whereas the smallest ones characterised Silesia (413.2 m<sup>2</sup>) and the lubuskie (431.1 m<sup>2</sup>) province.

The map displays the 14 constituencies of the National Assembly of Lesotho, each labeled with its number and color-coded by region:

- Orange (North):** 1 286, 2 115, 893, 867
- Green (Center):** 3 596, 5 978, 2766, 4 938
- Red (South):** 849, 659, 808, 1 344
- Blue (East):** 1 997
- Yellow (Central/Border):** 2 015, 2 084, 2 766

	up to 1000	(7)
	1001–1500	(1)
	1501–2000	(4)
	above 2000	(4)

*Source: prepared on the basis of data from the Central Statistical Office.*

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**Table 8. Average storage area of closed warehouses in 1998–2002 by provinces**

Province	Years					Difference between 2002 and 1998*
	1998	1999	2000	2001	2002	
Poland	445.5	560.4	495.4	498.6	530.8	+85.3
Dolnośląskie	431.5	515.7	460.8	495.1	505.3	+73.8
Kujawsko-pomorskie	503.2	594.6	459.9	499.8	495.7	-7.5
Lubelskie	469.4	560.9	442.6	436.6	473.2	+3.8
Lubuskie	419.5	395.8	405.6	411.6	431.1	+11.6
Łódzkie	548.2	622.4	526.9	530.7	520.3	-27.9
Małopolskie	344.6	447.7	444.7	446.3	482.3	+137.7
Mazovia	401.7	663.9	590.7	630.1	671.6	+269.9
Opolskie	492.2	537.8	514.2	521.1	508.1	+15.9
Podkarpackie	406.9	475.7	450.5	453.7	460.3	+53.4
Podlaskie	618.3	717.0	641.0	702.0	691.3	+73.0
Pomerania	385.9	485.9	448.4	434.4	485.2	+99.3
Śilesia	405.3	532.9	415.2	360.3	413.2	+7.9
Świętokrzyskie	532.9	567.8	521.0	562.0	557.6	+24.7
Warmińsko-mazurskie	629.7	583.0	520.3	492.8	513.8	-115.9
Wielkopolskie	517.1	587.6	520.4	538.6	618.8	+101.7
Zachodniopomorskie	491.3	524.4	474.7	491.2	493.6	+2.3

\* + indicates growth, - drop

*Source: calculations based on data from the Central Statistical Office.*

In 2003, the situation as regards the warehouse network of wholesale trade in Poland is further improving. This is reflected by the initiated investments, which mainly covered the warehouse objects. For example, within 20 km from Warsaw, by the end of the third quarter of 2002, the construction of several distribution centres of the total area of 60 thousand m<sup>2</sup> was initiated. This accounts for a 6 times growth as compared to 2001<sup>1)</sup>.

<sup>1)</sup> "Industrial Market Index Brief-Poland. Market of Storage Areas in Poland". Report prepared by the company CB Richard Ellis; quot. that there will be more warehouses, "Supermarket News" No 9 (90), 2003.

## 5. Employment and Wages in a Breakdown by Branches

According to data of the Central Statistical Office, the total number of those working in the section "Commerce and Repairs" amounted to – as at the end of December 2002 – 1,931.5 thousand people and was by 1.9% lower than at the end of December 2001. The share of employment in the section "Commerce and Repairs" in the structure of those employed in the total Polish economy was 13.1%.

The private sector in the number of workers of the "Commerce and Repairs" section accounted for 98.6%.

In 2002, a drop took place in the number of those working in the sphere of wholesale and commission trade – by 4.4% as compared to the previous year. The highest number of workers was involved in retail trade (54.4% of the total employment in the "Commerce and Repair" section), despite a drop by 0.3% as compared to the year 2001 (Table 9).

**Table 9. Average employment in the section "Commerce and Repairs" as compared to the average employment in the national economy in 1998–2002**

Specification	Average employment in thous. people				
	1998	1999	2000	2001	2002
National economy	9,863.8	9,637.1	9,354.1	9,050.2	8,915.7
Section "Commerce and Repairs" of which:	1,321.1	1,318.4	1,325.0	1,295.6	1,344.4
– wholesale and commission trade	584. 5	584.2	569.8	565.3	568.5
– retail trade	595.8	586.2	611.0	588.1	626.7

*Source: based on data from the Central Statistical Office.*

As compared to 2001 the average employment in the sphere of wholesale and commission trade increased slightly, whereas a higher growth in employment was recorded in retail trade. However, at the end of June 2003 a drop in the average employment in this sector of enterprises was recorded – as compared to the same period of the previous year it amounted to 3.5%.

In 2002 as compared to 2001, a faster growth of the average monthly gross wages in the section "Commerce and Repairs" took place, and amounted to 5.3%



reaching the level of 1,814.05 PLN. In the first six months of 2003 as compared to the first half of 2002, the average monthly gross wages increased per one worker employed in the sector of big and medium-sized enterprises of retail trade (up to 2,186.43 PLN, i.e. by 2.5%)<sup>2)</sup>.

## 6. Financial Situation of Wholesale and Retail Enterprises

In commercial enterprises, in a breakdown by two groups covering big and medium-sized enterprises (jointly) employing over 49 workers and small enterprises employing 10–49 workers, in 2002 – as compared to the previous year – unfavourable changes were recorded in basic economic indicators.

The average annual growth rate of proceeds from the overall activity of big and medium-sized commercial enterprises amounted to 1.2% (as compared to the drop by 0.5% in 2001, in comparison with 2000), while the growth rate of costs from total activity was higher – 1.7% (increase by 1.1% in the previous year). At the same time the dropping tendency of proceeds and costs from total activity in small commercial firms was weakened – they decreased by 1.1% and by 0.9% as compared to 2001 (drop by 7.5% in 2001 in comparison to the previous year).

The relations of commercial margins determining the financial situation of big and medium-sized enterprises as well as small commercial enterprises changed slightly in 2002, as compared to the previous year. They amounted to respectively: 14%, due to the drop by 0.1 percentage point and 13%, due to the growth by 0.5 percentage point as compared to 2001.

The relations of commercial margins in the trade of motor vehicles and fuels evidently improved, and increased in both groups of enterprises by 1 percentage point and by 2 percentage points in comparison to 2001, reaching 14.2% and 11.2%. Also the commercial margin in small enterprises of retail trade increased (by 0.2 percentage point) up to 17.8%. It was on the level of big and medium-sized firms of retail trade, in which it decreased from 18.8% in 2000 to 17.8% in 2002.

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<sup>2)</sup> Employment and wages in the national economy in the first six months of 2003, Statistical information and reports, Central Statistical Office, Warsaw 2003.

The indicators of the costs level from total activity of big and small commercial enterprises amounted to respectively 99.8% and 98.5%, and therefore were higher by 0.4 and 0.2 percentage point than in the previous year. The high indicators of the level of total costs were still maintained in retail trade, in which they amounted to 100.1% and 99.7%.

The gross financial results generated in big and medium-sized, as well as small commercial enterprises in 2002 decreased by 61.8% and 14.4% as compared to the previous year, and as a result amounted to 641.2 million PLN and 1,667.6 million PLN. The share of obligatory encumbrances in the gross financial result of both groups of commercial enterprises amounted to 216.8% and 38.3% respectively.

The net financial results achieved in big and medium-sized, and small commercial enterprises in 2002 dropped to minus 749.2 million PLN and 1,029.5 million PLN; they were smaller by 184% and by 16.7% as compared to the previous year.

The gross and net turnover profitability rate dropped in big and medium-sized commercial enterprises to the level of 0.3% and minus 0.3%. Higher levels of the gross and net turnover profitability rate were achieved by small commercial enterprises, in which these rates amounted to 1.4% and 0.9% (Table 10).

The three-year growing tendency of gross and net turnover profitability rates has been recorded in enterprises engaged in the trade of motor vehicles and fuels, as in 2002, in comparison to the previous year, they increased in big and medium-sized companies by 1 percentage point each reaching 1.3% and 0.7%, whereas in small firms they increased by 0.2 and by 0.1 percentage point to 1.2% and 0.7%. The dropping tendency was maintained as regards the gross and net turnover profitability in the group of enterprises of wholesale and commission trade: in big and medium-sized wholesalers it decreased as compared to 2001 by 0.8 and by 0.9 percentage point down to 0.2% and 0.4%, whereas in small wholesalers it decreased by 0.8 percentage point each to 1% and 0.4%. In comparison to 2001, the negative gross and net turnover profitability in big and medium-sized enterprises of retail trade lowered by 0.4 percentage point each and as a result amounted to minus 0.1% and minus 0.5%. Small companies of retail trade still indicated a higher and positive gross and net turnover profitability, which reached 1% and 0.6% (increase by 0.1 percentage point in relation to 2001).

**Table 10. Gross and net turnover profitability (%)**

Specification	Gross turnover profitability in %			Net turnover profitability in %		
	2000	2001	2002	2000	2001	2002
<b>Enterprises employing over 49 persons</b>						
<b>National economy</b>	<b>1.9</b>	<b>0.7</b>	<b>0.8</b>	<b>0.7</b>	<b>-0.3</b>	<b>-0.2</b>
<b>Section "Commerce and Repairs"</b>	<b>2.2</b>	<b>0.7</b>	<b>0.3</b>	<b>1.1</b>	<b>0.2</b>	<b>-0.3</b>
– public sector	2.5	0.5	-3.1	2.1	0.1	-3.4
– private sector	2.2	0.7	0.6	1.0	0.2	0.0
Sales, service and repairs of motor vehicles; retail sales of fuels	-0.02	0.3	1.3	-0.5	-0.3	0.7
Wholesale and commission trade	3.5	1.0	0.2	2.1	0.5	-0.4
Retail trade	-1.7	-0.5	-0.1	-2.1	-0.9	-0.5
<b>Enterprises employing 10–49 persons</b>						
<b>National economy</b>	<b>1.8</b>	<b>1.8</b>	<b>0.6</b>	<b>0.9</b>	<b>0.9</b>	<b>-0.1</b>
<b>Section "Commerce and Repairs"</b>	<b>1.7</b>	<b>1.7</b>	<b>1.4</b>	<b>1.0</b>	<b>1.1</b>	<b>0.9</b>
– public sector	0.2	-0.5	-0.8	-0.1	-0.7	-1.0
– private sector	1.7	1.7	1.5	1.1	1.1	0.9
Sales, service and repairs of motor vehicles; retail sales of fuels	0.5	1.0	1.2	0.1	0.6	0.7
Wholesale and commission trade	1.9	1.8	1.0	1.2	1.2	0.4
Retail trade	1.6	1.0	1.0	1.1	0.5	0.6

*Source: data from the Central Statistical Office and calculations based on the conception of scientific and research works of the Institute of Domestic Demand and Consumption.*

In the first six months of the year 2003, as compared to the respective period of the previous year, a growth took place as regards the gross and net turnover profitability in the group of big and medium-sized commercial enterprises. This profitability amounted to respectively: 1% and 0.5%. Whereas, in this period the turnover profitability in retail trade deteriorated (drop to -1.1% and 1.4%)<sup>3)</sup>, which may have a negative impact on the financial results for 2003.

The efficiency and dynamism of commercial enterprises' activity are characterised by such economic and financial indicators as: turnover cycle of inventories in days and the short-term liabilities discharge cycle in days.

<sup>3)</sup> Statistical Bulletin, Central Statistical Office, 2003. No 7.

In 2002 different directions of changes in the average turnover cycles of inventories in big and medium-sized and small commercial enterprises took place, which amounted to 37.4 days (longer by 1.6 day than in the previous year) and 38.1 days (shorter by 2.8 days). A faster turnover cycle of inventories, as compared to the previous year was achieved in small enterprises of retail trade, in which it amounted to 47.4 days and lasted shorter by 30.9 days than in the previous year.

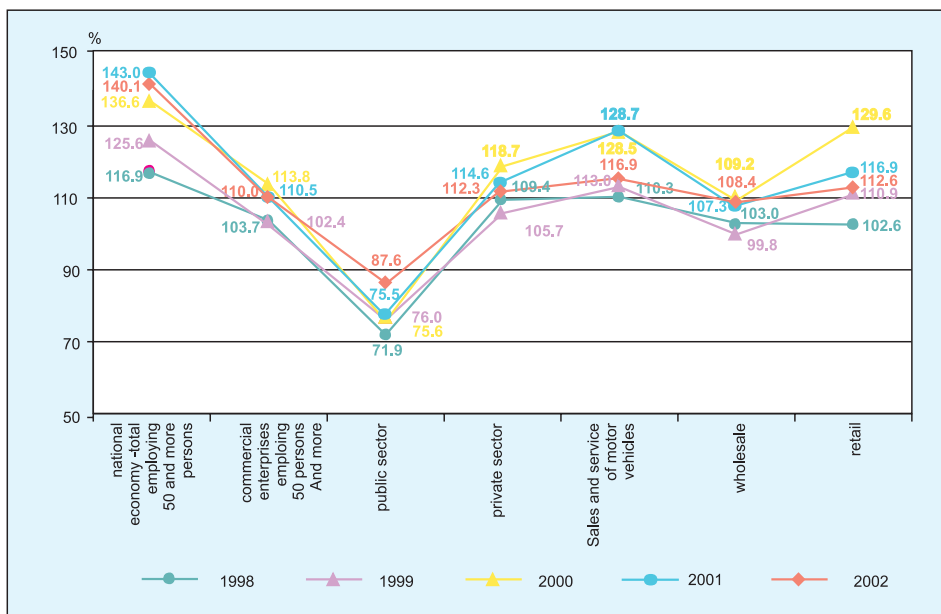
In 2002 the raised efficiency of the activity of big and medium-sized and small commercial enterprises on the domestic market was expressed in the shortening of the short-term liabilities discharge cycles to 43.3 and 47.8 days, i.e. by 2.1 and by 3.9 days as compared to the previous year (in comparison to liabilities discharge cycle established for 2001). The longest periods of settling short-term liabilities characteristic for wholesale and commission trade were reduced in both groups of enterprises by 1.6 and 1.5 days respectively, and as a result lasted 52.4 and 55.5 days.

The indicators of total debt (accounting for the relation of the value of total liabilities to the value of current assets in %) in big and medium-sized and small commercial enterprises in 2002 amounted to 110% and 107.8% respectively, due to a drop by 0.5 percentage point and an increase by 1.7 percentage point as compared to the previous year. The highest growth in debt took place in small enterprises of retail trade, in which it amounted to 112% and was higher by 22.7 percentage points than in the previous year (Chart 6).

The level of the first degree financial liquidity indexes of big and medium-sized and small commercial enterprises in 2002 amounted to 15.6% and 9.9% respectively, due to the growth by 2 percentage points and drop by 0.7 percentage point as compared to the previous year. The highest first degree financial liquidity indexes were related in 2002 with the activity of big and medium-sized and small enterprises of retail trade, in which they reached the levels of 23.1% (increase by 4.8 percentage points) and 13% (drop by 6.2 percentage points as compared to the previous year).

In 2002, as compared to 2001, the second degree liquidity of big and medium-sized and small commercial enterprises deteriorated: decrease by 0.8 and by 3.5 percentage points, reaching the low levels of 70.3% and 67.5%.

The third degree financial liquidity in both groups of commercial enterprises in 2002 was on too low levels: 110.9% (increase by 0.5 percentage point)

**Chart 6. Level of total debt (%)**

Source: calculations based on data from the Central Statistical Office.

and 106.9% (drop by 2.6 percentage points as compared to the previous year). The lowest third degree liquidity was recorded by big and medium-sized enterprises of retail trade, in which it reached 102.9% and was higher by 3.4 percentage points than in the previous year.

The progressing drop of the gross and net turnover profitability in big and medium-sized, as well as small commercial enterprises limits their accumulative capacities and arrests their development.

## 7. Analysis of Co-Operation Between Producers and Distributors

The dynamic development of the super- and hypermarket networks causes, that traditional channels of distribution, covering stores and wholesalers are reducing their shares in the turnover of FMCG, on average by 2–3% annually in recent years. It is estimated that presently the share of modern distribution channels in the sales of FMCG amounts to ca 32%.

Suppliers of goods see advantages in cooperation with foreign commercial networks, in the possibility of selling big bulks of goods, realising attractive forms of goods' promotion and achieving a high effectiveness of promotion, and also the perfecting of selling skills. However, in 2003 as compared to previous years, the percent of "very good" and "good" opinions expressed by producers in reference to almost all evaluated benefits is lower. This results from high costs of using this distribution channel, the growing requirements posed by networks to suppliers, and also consolidation processes among domestic merchandisers causing that the attractiveness of domestic integrated commercial networks is increasing.

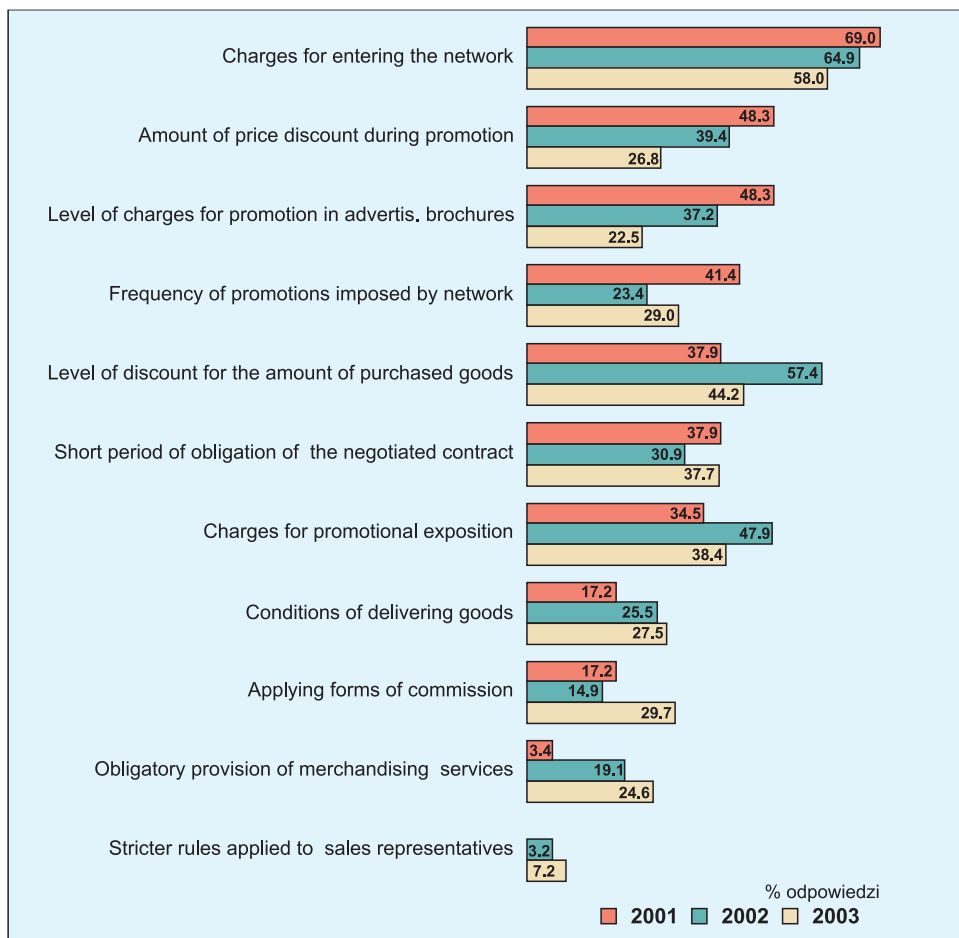
The growing competition in trade causes that domestic enterprises treat foreign commercial networks as a benchmark, taking over modern methods of organisation and company management. In effect:

- the quality of service offered by domestic commercial companies is being lifted,
- differences in the conditions of sales between big domestic and foreign commercial enterprises are shrinking.

The areas of cooperation with foreign commercial networks regarded by suppliers as particularly burdensome have not changed significantly during the last three years, although in 2003 many of them were less frequently pointed to by entities participating in the survey (chart 7). It is a result of:

- the introduction of legal regulations (payment deadlines, promotional activities),
- lasting several years cooperation of many suppliers with commercial networks and recognising some of the "costs" of cooperation as a ruling standard in this distribution channel,
- recognising the necessity to incur certain costs by suppliers in exchange for gaining benefits, regarded as significant for the company.

However, in the case of some cooperation conditions (logistics of supplies, merchandising) the percent of suppliers regarding them as more and more burdensome is increasing in recent years. The growing competition reveals the contradictory expectations of partners; e.g. a producer cares only about his own goods, and competes with other producers in getting a place on the shelf, while the commercial network strives towards an efficient management of the entire product category.

**Chart 7. Particularly inconvenient conditions of agreements with foreign commercial networks, in producers' opinion**

Source: research conducted by the Institute of Domestic Market and Consumption in 2001, 2002 and 2003.

Many types of pressures put on suppliers by foreign networks as regards promotion, the level of discounts have been recognised as disturbing competition. According to the producers' opinion, this problem has not been solved by the law on competition and consumer protection, or by the amendment of the law on combating unfair competition (Law of July 5<sup>th</sup>, 2002 about amending the law on combating unfair competition, which came into force on November 10<sup>th</sup>, 2002). According to the law on competition and consumer protection the market behaviour pointed to by suppliers cannot be assessed in the category of anti-competitive

practices, but they may only be viewed as having signs of unfair competition practices. Whereas, the amendment of the law on combating unfair competition, in force since November 10<sup>th</sup>, 2002, which provisions were to equalise market chances and eliminate the application of disturbingly low prices, raised several objections. The following were pointed to:

- despite introducing the amended law of prohibiting unfair competition, hypermarkets still organise numerous promotions and sell goods for very low prices,
- the regulation forbidding the introduction to the turnover in discount stores more than 20% of own brands, instead of protecting small entrepreneurs is acting against them. For many small entrepreneurs the sales of goods of their own production is possible only by big commercial networks under their brand, because they cannot afford the costly promotion of their own brand, and the distribution through small stores does not assure stabilisation and sales, mainly due to the fact that this sector is most sensitive to changes in demand.

Also the law on payment dates in trade ought to be amended (Journal of Laws, No 129, item 1443), so that interest rates for delayed payments are automatically counted, without an earlier request. The response to the comments submitted by entrepreneurs regarding the regulations in the area of payment dates was the adoption by Sejm on June 12<sup>th</sup>, 2003 of the Law on payment dates in commercial transactions<sup>4)</sup>. One of the major assumptions of this Law is to discipline sides taking part in commercial transactions as regards the application of short closing dates of payments for the deliveries of goods and executed services.

## 8. Organisational and Capital Consolidation in Trade

The growing competition from the side of foreign commercial networks raises a higher – than in the previous years – interest of domestic commercial companies in consolidation processes. In 2002 over 13% of commercial enterprises declared the membership in an integration form, and in the first half of 2003 this value increased to 20%.

<sup>4)</sup> Journal of Laws 2003 No 139, item. 1323.



Still, relatively more frequently horizontal integration processes take place, i.e. those occurring within a given level of the distribution channel (retail or wholesale) than processes of vertical consolidation covering retail and wholesale.

Wholesale enterprises are initiators of vertical integration processes. According to data of the Institute of Domestic Market and Consumption, up to now they have been adopting the organisational and technical formula, whereas very rarely the capital one. This situation results from the limited material, technical and financial resources of most commercial enterprises with the domestic capital.

In 2002, on the market of consumer goods, two forms of contract agreements of the organisational and technical formula functioned, i.e. retail purchasing groups and voluntary wholesale chains.

Retail purchasing groups are established due to the initiative of a wholesale enterprise, which concentrates around itself a certain number of retail trade units. In 2002, only one such type of contract agreement began its activity: the Regional Commercial Network Dobry Sklep (Good Store). In total there are about a dozen retail purchasing groups functioning on the market of consumer goods. Most of them are regional groups, whereas only two are of a national character: Euro Network Ltd. and the Sieć Cena Czyny Cuda (Miracle Price Network).

Besides retail purchasing groups, also voluntary wholesale chains functioned on the market of consumer goods in 2002. Practice shows, that the initiative group is usually formed by a few, rarely over a dozen wholesale enterprises, which concentrate around themselves a considerable number of retail trade units.

It should be noted, that in 2002 no new organisationally separate voluntary wholesale chain was established. However, the so called Delko Club was organised. In 2002–2003, it concentrated ca 900 stores. The cooperation within the Delko Club is conducted by flexible rules. Stores purchasing goods in wholesale companies associated in Delko SA receive points, for which they are granted bonuses. In the future it is planned to develop this cooperation in order to create an integrated commercial network based of franchising.

Research conducted by the Institute of Domestic Market and Consumption showed that voluntary wholesale chains relatively more rarely function on the market of consumer goods than purchasing retail groups. In 2002 only several such vertical contract agreements existed, e.g. Delko Network SA, Avans Network Ltd., Stofarb Commercial Network (its organiser was the Stofarb Commercial Consortium SA, concentrating 20 wholesale companies).

Vertical integration unions based on capital formula are very rare on the market of consumer goods. In 2002 only two such contract agreements operated: Lewiatan '94 Holding SA and Eldorado SA. Among these Lewiatan has the most developed form of cooperation.

The first six months of 2003 brought a further development of vertical integration processes. Two new purchasing retail groups of a wider than regional scale and one voluntary wholesale chain were established. Particularly worth noticing is the integrated network of "abc" stores. Its organiser was the independent company Eurocash Ltd, separated in October 2002 from the organisational structure of the Portuguese concern Jeronimo Martins Group. In just a few months it concentrated around itself a network of 1800 retail units. Whereas, the voluntary wholesale chain was initiated by the Capital Group Bać-Pol, which is formed by 6 distribution companies. The integrated network Sunshine Market is conducted according to franchise regulations.

Despite the progress of integration processes, they are still developing too slow, and the fear of losing independence and the lack of conviction about the advantages resulting from co-operation, also difficulties with finding suitable partners still account for significant barriers to the development of integration processes in trade, particularly retail. Presently, it is necessary to accelerate the successive phase in the development of integration among domestic commercial companies, which are initiatives of merging the existing integration groups, what will provide greater chances for domestic companies in competing with strong and consolidating foreign commercial networks.

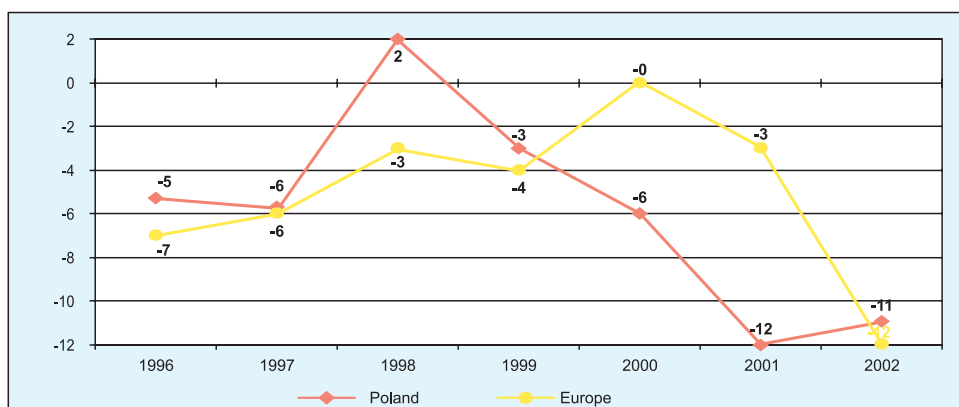
The year 2002 and the first half of 2003 may be viewed as a turning point in the development of the franchising market. The total number of systems grew, and the share of commercial systems in the market increased up to 51% (from 49% in 2001). Polish operators still maintained their dominating role. The developing of specialised networks, locating newly launched systems in market niches may be seen as positive phenomena. Commercial networks employed almost 80% of the total number of those working in franchise systems, the most – in the food articles branch.

## 9. Domestic Trade in Poland as Compared to Countries of a Developed Market Economy

The level and development of Polish trade against the background of other European countries was evaluated with the support of the so-called indicator of economic perception. It is calculated according to a coherent method (the Joint Harmonized EU Programme of Business and Consumer Surveys) for countries of Western, Central and Eastern Europe, and also for other parts of the world.

The economic situation in Polish retail trade has been deteriorating from 1999, and reached a considerable regress in 2001. The year 2002 did not bring an evident improvement. In the EU countries deterioration of the situation in trade took place later – in 2001, but a considerable drop occurred in 2002 (Chart 8).

**Chart 8. Indicator of economic perception in retail trade in Poland and in the EU countries**

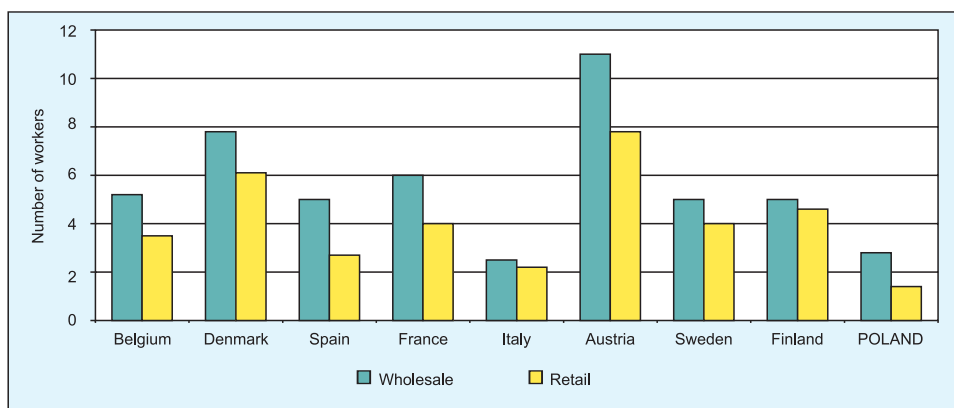


*Source: European Economy. Supplement B. Business and Consumer Survey Results, European Commission, 2001, No 12, Business and Consumer Survey Results, European Commission, June 2003.*

It is worth mentioning that in the first half of 2003, the value of the indicator in Polish trade was repeated, whereas in the EU countries it deteriorated by a further two points. Therefore, the deterioration of the situation in trade was not only a feature of Polish economy, but also the European economy.

The competitiveness of domestic commercial enterprises is relatively low and in a large degree results from the dominating share of micro type enterprises (up to 10 workers) and their weak economic condition.

**Chart 9. Average size of retail and wholesale enterprises in 1999**



Source: *Statistics in Focus, 2002, no 9; Domestic Market, 2002, Central Statistical Office.*

The average size of wholesale and retail enterprises in Poland considerably differs from the indicators of individual European countries (Chart 9), and in 2002 the situation did not change.

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